UNITED NATIONS

DP

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
GENERAL

DP/CCF/GUA/1
17 November 1997
ENGLISH
ORIGINAL: SPANISH

First regular session 1998
New York, 19-26 January 1998
Item 5 of the provisional agenda
UNDP

UNDP: COUNTRY COOPERATION FRAMEWORKS AND RELATED MATTERS

FIRST COUNTRY COOPERATION FRAMEWORK FOR GUATEMALA (1998-2000)

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INTRODUCTION

1. This country cooperation framework for Guatemala was formulated on the basis of a dialogue among the Government, UNDP, United Nations agencies and sectors of civil society. As a contribution to this dialogue, a consultative note was prepared setting forth the views of UNDP on how best to channel its cooperation in order to support Guatemala's development objectives, in accordance with the Programme's mandates and comparative advantages. The consultative note and the country cooperation framework were, in turn, basically conditioned by the strategy note[1] approved by the Government of Guatemala in January 1997, which provides a broad framework for the inputs of the United Nations system to Guatemala. In 1997, it became increasingly obvious that the process of formulating the first country cooperation framework would not be completed in time for the framework to be submitted to the Executive Board for consideration at its third regular session of 1997. Under these circumstances, the Administrator saw fit to extend the period of the sixth country programme to cover the year 1997. The Administrator wishes to draw this fact to the attention of the Executive Board at its current session.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

2. In general, the challenge of complying with ambitious peace agreements and of consolidating democracy, in addition to that of creating a climate of safety and reunifying a society fragmented by political, social, economic, gender and ethnic differences, is complicated by severe constraints in a weak State which is itself part of a society that has limited experience of democracy, despite some strengthening of civil society since 1986. These weaknesses are reflected in the three branches of Government, but particularly in the judiciary and the executive branch. The judiciary faces serious difficulties in ensuring the rule of law, while the executive branch has been unable to overcome the institutional constraints, despite a number of recent special public consultation initiatives, which it has traditionally faced in trying to promote effective economic and social policies - including urgent fiscal reforms - that have the backing of the majority of civil society.

3. Although the end of the internal armed conflict meant a substantial reduction in political violence, the lack of public safety resulting from ordinary criminal violence is perhaps the main obstacle to building confidence in the peace process. The weakness of the justice system is, in turn, impeding the transition to a new State in which civilian authority prevails and security is guaranteed for all citizens. Lastly, the weakness of the tax collection system makes it difficult to finance basic government functions adequately.

4. In general, Guatemala's development has been limited by a high level of unemployment (which reached around 44 per cent of the economically active

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[1] Strategy note of Guatemala, Government of Guatemala with the support of the United Nations. Guatemala, January 1997.

population in 1995), coupled with extremely unequal access to the means of production (land, capital and know-how), growing demographic pressure on natural resources, reduced social spending, an internal armed conflict which lasted 35 years until it ended with the signing of the Peace Agreements in December 1996, and the State's institutional weakness in making investments and implementing policies that promote growth, equity, security and justice.

5. The high level of unemployment is associated with reduced rates of growth in production and investment. The first half of the 1990s witnessed a measure of recovery, but in 1996, a slowdown in the growth of the gross domestic product (GDP), a phenomenon shared by other Central American countries, and a decline in total investment highlighted the country's absence of sustained economic growth.

6. As a result of this low level of economic growth and the limited access of most of the population to the means of production and to education, there is a high level of poverty, affecting around 80 per cent of the population. Economic and social inequality in Guatemala is reflected in the concentration of income and in differences in extreme poverty, which is nearly twice as great among the indigenous population as among the non-indigenous population, and in rural areas as compared with urban areas.

7. The low rate of tax collection in Guatemala (8.5 per cent in 1996, as compared with an average of nearly 17 per cent for Latin America as a whole) largely explains the country's macroeconomic weakness. In the first place, past Governments attempted to compensate for the lack of tax revenues to cover public spending by incurring an internal public sector debt which caused interest rates to rise, with two adverse effects: it deterred private investment and it stimulated an influx of short-term capital, driving up the exchange rate and creating imbalances in the external accounts. Throughout 1996 and 1997, efforts were made to correct this situation and interest rates began to decline. Secondly, the public sector's lack of resources severely limits its ability to finance social spending, spending on security and the administration of justice, and government reforms. In 1996, some major strides were made in tax policy, but the target of a 12 per cent rate of tax collection, which the Government agreed to meet by the end of the year 2000 as part of the Peace Agreements, is still far from being achieved.

8. One sign of Guatemala's fiscal weakness is that, between 1990 and 1996, social spending represented only about 4 per cent of GDP. Half of that went to education, placing Guatemala among those countries with the lowest level of public funding for education in the world. There has been some progress, as reflected in the implementation of educational projects that stress community participation and the expansion of bilingual education - including scholarships for indigenous girls - in order to take account of Guatemala's multilingual status. There has also been progress in setting up the national Literacy Committee, which coordinates its activities with those of private groups, and in promoting the National Programme of Self-Management for Educational Development, which provides educational coverage to previously unserved communities. The decentralization of the public administration and the subcontracting of some educational services are also being promoted. However, the very recent nature of these initiatives and the continuing lack of resources mean that education indicators remain deplorable: coverage is severely limited, inequalities are

extreme (the number of years of schooling of an indigenous woman is 0.9, while that of a non-indigenous man is 4.5), quality is very low and repetition and drop-out rates are high.

9. Poverty, the limited coverage of public and private health services, low spending on health (around one per cent of GDP), the concentration of resources on medical treatment in urban areas and limited water supply coverage have together created a lamentable health situation. Some progress has been made in the institutional reform of the health sector and immunization coverage has been greatly expanded, but preventable diseases, such as infectious and contagious diseases, are still prevalent. These problems are aggravated by malnutrition. Only 53 per cent of pregnant women receive prenatal care and less than one third of births are attended by trained personnel. As a result, it is very poor, illiterate and peasant women who die most frequently as a result of pregnancy and giving birth in poor conditions.

10. To tackle the environmental imbalance caused by unsustainable exploitation of natural resources, since 1986 a legal and organizational framework has begun to be developed. In 1996 and 1997, definite progress was made, including the creation of the environmental office, the Guatemalan Environment Fund, the Environmental Policy Steering Committee and the National Joint Implementation Commission. However, the legislation and new institutions mentioned have yet to make a significant impact in terms of halting such problems of environmental degradation as deforestation, which affects some 90,000 hectares a year, soil erosion, loss of biodiversity, and pollution. The fact that the Government assigns less than one per cent of the national budget to the management of forests and protected areas, and the poverty and lack of economic opportunities of people living in neighbouring villages, which were occasionally aggravated by internal migration at the end of the armed conflict, make it difficult to apply the corresponding rules and legislation.

II. RESULTS AND LESSONS OF PAST COOPERATION

11. The sixth country programme (1992-1996) focused on three areas: (a) consolidation of the process of peace and national reconciliation; (b) stabilization and economic growth; and (c) action to reduce poverty. Despite the changes of Government that occurred between 1992 and 1996, it was agreed that these areas should be given continued priority until the end of the period, although it was decided that greater emphasis should be placed on support for the consolidation of peace, the decentralization of the State administration and the rational use of renewable natural resources through strategies involving the participation of those concerned as a means of strengthening communities and facilitating the sustainability of the progress achieved.

12. Of the three areas, perhaps the greatest impact of UNDP cooperation has been felt in that of the consolidation of peace. Part of this cooperation involved support for the peace negotiation process, particularly through the provision of technical inputs to the Moderator. UNDP has also contributed to the institution-building of national bodies involved in implementing the Peace Agreements, including cooperating in the establishment of the National Peace

Fund and the Indigenous Development Fund and providing technical support for the secretariat of the Technical Committee for the Resettlement of Uprooted Population Groups, composed of representatives of the Government, uprooted population groups and the international community. UNDP coordination of the technical cooperation provided by all United Nations agencies, including assistance in specific areas such as public safety, the administration of justice and the reintegration of former combatants, has been particularly important.

13. Another area in which UNDP cooperation has been particularly successful is the administration of additional resources provided by bilateral and multilateral sources of financing. Generally speaking, UNDP activities have been more effective because of its comparative advantages, including its management capacity for implementing projects and coordinating activities. Its capacity for project delivery has in turn meant that an increasing amount of resources including loans from the World Bank and the Inter-American Development Bank (IDB) and contributions from bilateral cooperation agencies, are being channelled through UNDP.

14. The administration of additional resources has been greatest in four areas: emergency activities for the reintegration of uprooted population groups and former combatants, in which rapid implementation and neutrality are essential; the social area, for activities aimed at overcoming the limited delivery capacity of the Ministries of Education and Health; rural development projects, through agricultural and environmental activities in support of small producers; and projects for State reform, modernization of the executive branch and decentralization of public finances.

15. One must recognize the limitations of cooperation projects which arose in the past, from negotiating processes that did not include a precise definition of results and procedures, a fact which sometimes led to the perception that such projects were not fully compatible with the Government's development strategy. This reflected, at least in part, the public sector's poor capacity for pre- and post-project monitoring and evaluation, which, in turn, stemmed from poor fiscal policy and the resulting difficulty of recruiting highly qualified, well-paid staff.

16. Both the Government and UNDP have endeavoured to improve this situation. UNDP has helped to strengthen national capacities for coordinating and administering external cooperation. Tax revenues were increased through a project for reforming the system of customs tariffs, while support has been provided for the establishment of offices in some Government bodies to coordinate external technical cooperation.

17. The Government's most recent efforts to ensure greater coordination of external cooperation aimed at consolidating the peace process in Guatemala are also noteworthy. The Political Council for Peace, the Inter-Agency Commission for Expediting International Cooperation and the Peace Secretariat have played an important role in this regard. This has led to greater opportunities for mobilizing additional resources and using them more efficiently, thereby strengthening current internal efforts to promote development and consolidate peace in Guatemala.

III. PROPOSED STRATEGY AND THEMATIC AREAS

18. The Government programme defined in early 1996 established the following basic commitments: a political commitment to the freedom to build peace, democracy and justice; a social commitment to comprehensive human development; and an economic commitment to productive investment. The Peace Agreements concluded between 1994 and 1996 gave rise to commitments in the areas of human rights, uprooted population groups, the clarification of human rights violations, the identity and rights of indigenous peoples, social and economic and agrarian issues, civilian power, the role of the army and the demobilization and reintegration of former combatants.

19. The Government, taking into account both its initial commitments and Peace Agreements, has defined an agenda for peace which identifies four priority areas: (a) reintegration and demobilization; (b) comprehensive human development; (c) sustainable productive development; and (d) modernization and strengthening of the democratic State. The strategy note for Guatemala establishes that the agenda for peace is to be the frame of reference for setting the priorities of the United Nations system, including UNDP. In particular, the Government and UNDP agree that the Government's priorities and the Peace Agreements, as well as the regional and interregional programme of UNDP and the United Nations as a whole, define the areas of concentration of UNDP assistance in Guatemala. The Agreement on the Implementation, Compliance and Verification Timetable for the Peace Agreements also serves as a guide for the orientation and implementation of UNDP activities aimed at the consolidation of peace and development.

20. The other peace agreements which are especially important in the areas of reintegration and demobilization are the Agreement on Resettlement of the Population Groups Uprooted by the Armed Conflict, the Agreement on the Definitive Ceasefire and the Agreement on the Basis for the Legal Integration of the Unidad Nacional Revolucionaria Guatemalteca (UNRG). Of particular importance in this regard is the need to link emergency assistance with cooperation for development by creating condition that will guarantee the productive integration of the entire population living in resettlement areas. In this sector, the Government and UNDP agree that UNDP will allocate its own resources and mobilize additional resources to attend to the needs of uprooted population groups and to support the demobilization and reintegration of former insurgent and army combatants, community development for peace, capacity-building in non-governmental development organizations and support for victims of the armed conflict. The last of these includes care of persons disabled as a result of the internal armed conflict and compensation for victims of human rights violations, taking into account the recommendations of the Clarification Commission.

21. The most important peace agreements in the area of comprehensive human development are the Agreement on Identity and Rights of Indigenous People, the Agreement on Social and Economic Aspects and the Agrarian Situation and the Agreement on the Implementation, Compliance and Verification Timetable for the Peace Agreements. The last of these establishes targets for public spending on health and education and minimum levels of coverage and effectiveness in both

those areas. These targets will serve as a reference for increasing cooperation in this area.

22. While participation by the recipients of international cooperation is essential in all areas, it is particularly visible in the area of comprehensive human development. UNDP already has experience of participation by a wide range of sectors in project formulation and execution. In particular, the Government of Guatemala and UNDP agree that the latter should focus on education, health, gender issues and indigenous populations. In concrete terms, UNDP will provide seed capital and will cooperate with the Government in managing the resources of multilateral financing bodies earmarked for education and health ensuring and strengthening the delivery capacity of the Ministries of Health and Education, as well as ensuring their modernization and decentralization. In addition, in consultation with the Government, UNDP will devote its own resources and attempt to mobilize additional resources to meet any support needs (studies, policy or legislative proposals and consultation processes) arising from the commissions and forums dealing with women's and indigenous issues set up under the Peace Agreements.

23. In the area of sustainable productive development, the Agreement on Social and Economic Aspects and the Agrarian Situation and the Timetable Agreement are the main point of reference. In this area, the Government and UNDP agree that the latter will concentrate its efforts on the following areas: sustainable rural development; Agenda 21 Guatemala in order to fulfil the commitments entered into at Rio de Janeiro in 1992 and at the Central American Environment Summit for Sustainable Development in 1994; strengthening of civil society to promote sustainable productive development; support for the system of protected areas; and integrated river basin management. UNDP core funds will be devoted primarily to the formulation and implementation of the national sustainable development strategy (Agenda 21), the strengthening of civil society to promote sustainable human development, combating air and water pollution, and sustainable rural development. Resources will be mobilized from other sources mainly for integrated river basin management and to support the system of protected areas. Priority will have to be given to supporting compliance with those peace agreements most closely connected with natural resources management and rural development.

24. With regard to the modernization and strengthening of the democratic State, the most important peace agreements are the Agreement on Social and Economic Aspects and the Agrarian Situation and the Agreement on the Strengthening of Civilian Power and on the Role of the Armed Forces in a Democratic Society, as well as the Timetable Agreement. The main challenge for UNDP will probably be to contribute to the strengthening and modernization of the democratic State in order to consolidate peace and promote development, taking into account the targets of the Peace Agreements, especially those regarding taxation and also spending in the areas of justice and security. In particular, UNDP and the Government agree that UNDP must mobilize its own and other resources to support the formulation and implementation of a national land strategy and a decentralization strategy and to promote the modernization of the executive branch and the judiciary.

25. Regarding the land issue, UNDP has agreed to support the establishment of a national land register, a single real-estate tax, a land trust fund and land conflict settlement mechanisms. Support for decentralization will include the strengthening of municipalities and development councils. The Government and UNDP also agree that, for the modernization of the executive branch, support will be given to the drafting and discussion of new legislative proposals on the reform of the civil service, social security, decentralization and devolution. As regards the judiciary, support will be given to the implementation of the recommendations of the Commission on the Strengthening of the Justice System established under the Peace Agreements. The preparation of a national human development report will also be supported, in order to facilitate the monitoring, on the basis of socio-economic indicators, of progress in reducing the gap between the existing situation and that envisaged by the Peace Agreements.

26. The comparative advantages of UNDP, especially its management capacity, its coordination experience, its adaptability to changing institutional structures and its neutrality - particularly important in the post-conflict stage - should make it possible to mobilize considerable additional resources in the four areas identified as priorities.

27. In particular, the Government and UNDP agree that, in view of the characteristics of the post-conflict stage, priority must be given to building the institutional capacity to implement the Peace Agreements. This entails complex, multidimensional institutional issues, one of which is the establishment and functioning of several commissions which are highly representative of Guatemalan society and, on occasion, involve the participation of the international community. These commissions include those provided for by the Agreement on Identity and Rights of Indigenous Peoples, the Special Integration Commission and the Clarification Commission. There is also a need for government institutions to implement and follow up the Agreements and new bodies such as the Peace Secretariat, as well as other entities or ministries with new responsibilities arising out of commitments made under the Peace Agreements. From the UNDP standpoint, it is particularly important to strengthen the technical and productive capacity of these institutions. Such technical strengthening should also be carried out in a manner that ensures that there is a direct link between responding to emergency situations and promoting development, fostering sustainable employment and attending to gender equity.

IV. MANAGEMENT ARRANGEMENTS

28. From the beginning of the sixth country programme, UNDP promoted the national execution modality. This required an internal training effort, the design of internal modalities and procedures and the restructuring of the local UNDP office to respond to the challenges of streamlining and flexibility entailed by the national execution modality. The application of other execution modalities was limited. Project delivery using technical support services, for example, accounted for less than five per cent of the indicative planning figure (IPF).

29. To date, experience with the national execution modality has been satisfactory. It has permitted a greater transfer of management and design know-how, including procedures for programme and project implementation and evaluation, and greater use of national human resources, as well as the application of streamlined management mechanisms, with the resulting cost and time savings. There is also an ambitious United Nations Volunteers (UNV) programme, which has made it possible to combine capacity with enthusiasm while keeping costs low. In late 1996, UNDP had 31 volunteers working with it, and it hopes to double that figure in 1997. The use of non-governmental organizations as project executing agencies also helps to reduce costs and generally helps to build the capacity of entities of civil society.

30. The increase in cost-sharing has been particularly significant. Cooperating agencies and government institutions consider this modality to be particularly important given the UNDP contribution to the flexibility, transparency and quality of the services provided. In 1996, with an IPF expenditure of around $0.5 million, it was possible to administer an additional amount of almost $18 million. For the 1994-1998 period, starting with $7 million from UNDP, additional resources of more than $64 million were secured. It is estimated that additional resources could reach a total of some $100 million.

31. To facilitate the coordination of international cooperation, the Government and UNDP agree on the need for a common orientation for the entire United Nations system, in accordance with the country strategy note. The note stipulates the need to share an overall frame of reference based on the Government's priorities and on the Peace Agreements, to combine each agency's global, regional and national programmes and to strengthen inter-agency coordination and interaction by means of various instruments. The latter include the formation of thematic groups, under the guidance of lead agencies, in order to be able to respond to new challenges in a streamlined and coordinated manner; the creation of a data bank on international cooperation; the establishment of inter-agency dialogues with the Government; joint project execution; joint monitoring of projects considered to be strategic; and the preparation of a national human development report.

32. The Government and UNDP attach particular importance to the proposal to create thematic groups under the guidance of lead agencies. The latter include the following: the United Nations Verification Mission in Guatemala (MINUGUA) and the Logistical Support Commission, as well as UNDP and the Special Integration Commission for issues of demobilization and integration; the World Bank/United Nations Educational, Scientific and Cultural Organization/ inter-agency educational group for education and culture issues; the World Health Organization/Pan-American Health Organization/Joint United Nations Programme on HIV/AIDS for health issues; the International Labour Organization for employment issues; the UNDP/inter-agency group on gender for women's issues; the Food and Agriculture Organization of the United Nations for rural development issues; UNDP for environment issues; the World Bank for economic modernization issues; and UNDP/MINUGUA/World Bank for the issue of governance.

33. The Resident Coordinator is in charge of coordination within the United Nations system and between it and the Government. He will have to take

advantage of the current situation in Guatemala to strengthen the collective identity of the United Nations presence in Guatemala, using a number of initiatives being carried out by the agencies present in the country. This will involve providing services jointly in the areas of peace, economic and social affairs, development and humanitarian action, taking into account the specific characteristics of each agency so as to preserve their individual visibility. Shared diagnoses, strategies and proposals will be elaborated and procedures will be harmonized in order to project a common image of the United Nations system in Guatemala. Common support services in such areas as information, communications, procurement, transport, travel, training and legal services will also be provided. These initiatives, which form part of a project for promoting changes in the United Nations in Guatemala, entail orienting UNDP actions to facilitate a programme of reform of the United Nations system in Guatemala, in order to enhance its impact and the capacity of UNDP to provide overall monitoring and assessment of actions under that programme.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR GUATEMALA (1998-2000)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	499	
TRAC 1.1.1	1 430	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
TRAC 1.1.3	300	
SPPD/STS	167	
Subtotal	2 396[a]	
NON-CORE FUNDS		
Government cost-sharing	23 655	
Sustainable development funds: Global Environment Facility Montreal Protocol Sustainable development network	4 525 of which: 3 688 620 217	
Third-party cost-sharing	4 535	
Funds, trust funds and other Fondo Español Fund for the Resettlement of Uprooted Population Groups	3 980 of which: 780 3 200	
Subtotal	36 695	
GRAND TOTAL	39.091[a]	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; and TRAC = target for resource assignments from the core.